

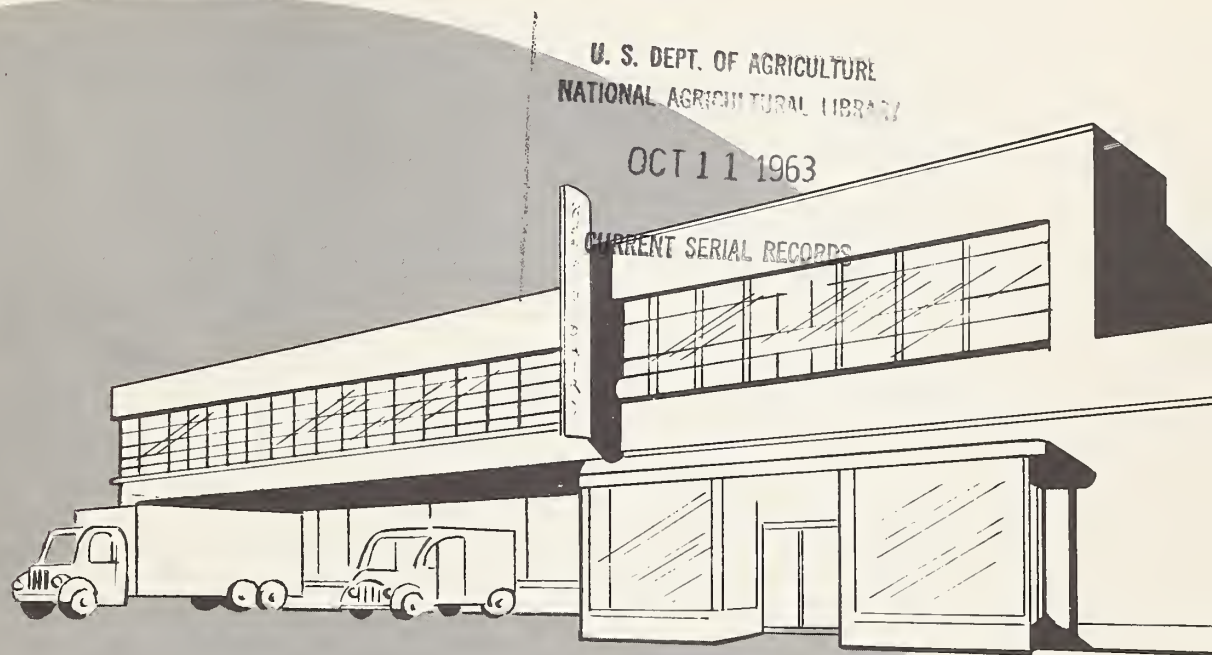
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# *Milk Distributors'*



## **Sales and Costs**

Jan. - Mar. 1962 and Apr. - June 1962

U.S. DEPARTMENT OF AGRICULTURE  
Economic Research Service

MDSC No. 22



## MILK DISTRIBUTORS' SALES AND COSTS

January-March 1962, April-June 1962 and Estimate of 1962

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Marketing Economics Division  
Economic Research Service

:  
: This report is one of a series based upon information obtained :  
: from 80 distributors of fluid milk and cream products. These dis- :  
: tributors are subscribers to a cost comparison service which fur- :  
: nished the Department with tabular data for analysis. A uniform :  
: accounting system is used, and information is given on standarized :  
: forms. Data reported include: Costs and quantities of raw milk :  
: and other raw materials; prices and quantities of products sold; and :  
: operating costs. :  
:  
: The 1962 estimate is based on actual data for the first and second :  
: quarters but data used for the third and fourth quarters are estimates. :  
: The latter were obtained with the help of average seasonal variations. :  
: The estimate for the year is a weighted average. :  
:  
: The firms selected are privately owned, and chiefly single-plant :  
: firms. In these characteristics they are considered to be typical. :  
: Very small firms, very large firms, national chains, and producer- :  
: distributors are not included. :  
:

### SALES AND COSTS

In the January-March and April-June quarters of 1962, net sales receipts per 100 pounds of milk and cream processed by fluid milk distributors declined from previous levels. The first quarter approximated the average of 1959, the second quarter the average of 1958.

Compared to the last quarter of 1961, costs of raw milk and cream were slightly lower in the first quarter of 1962 but substantially lower in the April-June 1962 period.

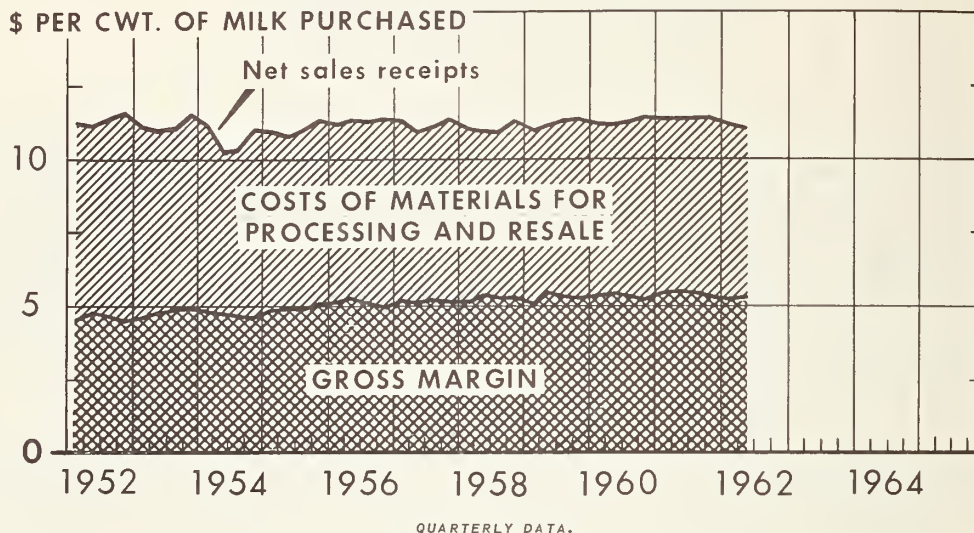
Operating costs during the two first quarters in 1962 also declined. This decline went below the annual level of 1961. Net margins were roughly at the same level as the last two quarters in 1961.

#### Net Sales Receipts

Net sales receipts, per 100 pounds of milk and cream processed, were estimated at \$11.17 in 1962. This figure is 1.8 percent or 20 cents below the average in 1961, the peak year of the series. The 1962 average is the lowest average receipt per 100 pounds of milk and cream since 1959. During the 11-year period of the series, net sales value varied between a low of \$10.69 in 1954 and highs of \$11.32 in 1952 and

Fluid Milk Processing-Distributing Firms

# NET SALES, COST OF MATERIALS, AND GROSS MARGIN



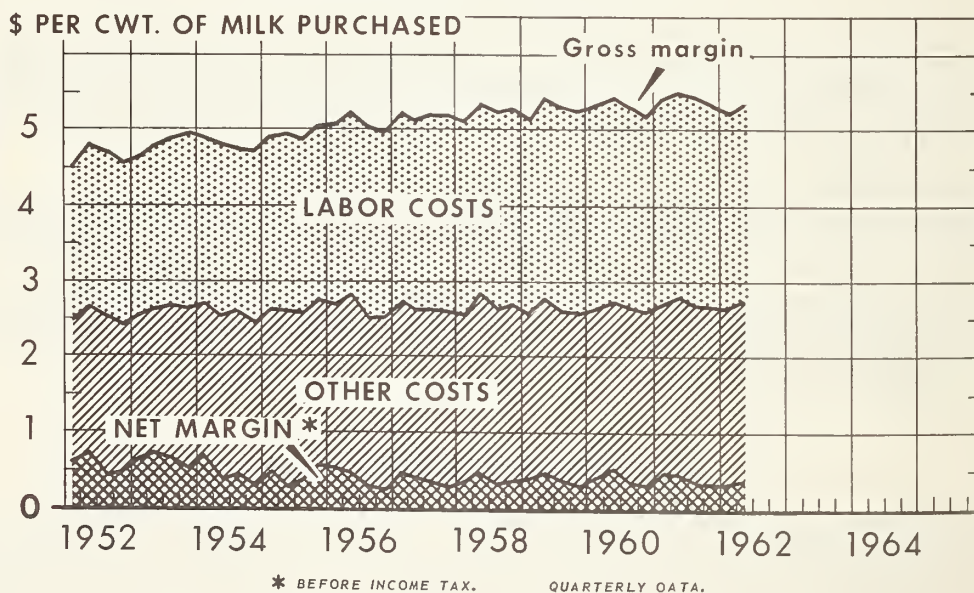
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Figure 1

Fluid Milk Processing-Distributing Firms

# OPERATING COSTS



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Figure 2



\$11.37 in 1961. From 1958 to 1961 sales value showed an almost steady rise--from \$11.05 to \$11.37 per cwt. of milk and cream.

Quarterly receipts for 1961 ranged between \$11.35 and \$11.39 per cwt. From this plateau receipts dropped to \$11.17 during the first quarter of 1962 and to \$11.03 during the second. In the second quarter of 1962 sales values were roughly 35 cents below the general level in 1961 and 14 cents below the first quarter of 1962.

The drop in net sales receipts per 100 pounds of milk and cream processed is the result of the following changes: (1) The change in the sample probably had a small effect because firms which dropped out had a larger volume than the firms which were added; (2) the shift from retail to wholesale sales was considerable; such shifts tend to lower the net sales receipts per cwt.; and (3) a decline of dealers' average buying prices for milk for fluid milk use (f.o.b. city) was observed. These prices averaged 7 cents per cwt. lower in 1962 than in 1961.

In 1962 the estimated gross margin was \$5.22 per 100 pounds of milk and cream, a decline of 3.3 percent from the year before. In 1961 the gross margin was \$5.40, the highest figure of the series which started in 1952. Total increase between 1952 and 1961 was 75 cents per hundredweight.

#### Operating Costs

Total operating costs were lower the first two quarters of 1962 than during corresponding quarters of 1961. This decline is traceable primarily to lower cost per cwt. of salaries, wages and commissions. In each quarter, costs were 13 cents below a year earlier. Advertising costs and general costs were also slightly lower.

For the first two quarters of 1962 net margins averaged about the same as for the last two quarters of 1961. However, if compared with a year earlier, net margins declined 16 cents during the first and 11 cents in the second quarter, or to a level of 34 and 37 cents, respectively. Estimated net margin for 1962 cwt. is 15 cents per cwt. below the margin in 1961.

Report issued September 1963

Table 1.--COSTS AND MARGINS FOR SELECTED DAIRY FIRMS: Per 100 pounds of milk and cream processed, for years 1952-62, and for the 5 most recent quarters

Account	Yearly average										1961					1962				
	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962 4/	Apr.- June	July- Sept.	Oct.- Dec.	Jan.- Mar.	Apr.- June	July- Sept.	Oct.- Dec.	Jan.- Mar.	Apr.- June
	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.	Dol.
Net sales receipts 1/.....	11.32	11.12	10.69	10.95	11.22	11.15	11.05	11.16	11.25	11.37	11.17	11.35	11.37	11.39	11.17	11.03				
Cost of materials for processing and resale:																				
Raw milk and cream.....	5.85	5.43	5.07	5.12	5.39	5.23	5.13	5.10	5.11	5.02	4.98	4.85	4.90	5.18	5.09	4.68				
Other.....	.82	.86	.83	.89	.76	.77	.70	.80	.87	.95	.97	1.01	1.06	.90	.87	1.04				
Total.....	6.67	6.29	5.90	6.01	6.15	6.00	5.83	5.90	5.98	5.97	5.95	5.86	5.96	6.08	5.96	5.72				
Gross margins.....	4.65	4.83	4.79	4.94	5.07	5.15	5.22	5.26	5.27	5.40	5.22	5.49	5.41	5.31	5.21	5.31				
Operating costs:																				
Salaries, wages, and commissions 2/.....	2.15	2.19	2.21	2.28	2.43	2.50	2.56	2.61	2.62	2.67	2.55	2.68	2.71	2.62	2.54	2.55				
Containers.....	.60	.62	.65	.70	.72	.71	.70	.69	.66	.67	.67	.68	.66	.69	.72	.73				
Operating supplies.....	.30	.32	.35	.32	.28	.29	.29	.29	.30	.30	.30	.29	.31	.30	.30	.29				
Repairs, rent, and depreciation.....	.50	.52	.57	.60	.64	.67	.68	.67	.66	.68		.69	.69	.68	.69	.73				
Taxes.....	.06	.06	.06	.06	.05	.06	.06	.06	.06	.06	2.39	.06	.07	.06	.07	.07				
Insurance.....	.02	.02	.03	.04	.04	.04	.04	.04	.05	.05		.06	.05	.05	.05	.05				
Services.....	.16	.19	.19	.18	.17	.17	.17	.17	.18	.19		.19	.21	.18	.18	.19				
Advertising.....	.15	.15	.16	.18	.19	.18	.18	.18	.18	.19		.19	.19	.21	.17	.19				
General.....	.15	.13	.13	.14	.16	.15	.16	.16	.15	.16		.17	.16	.17	.15	.14				
Total.....	4.09	4.20	4.35	4.50	4.68	4.77	4.84	4.87	4.86	4.97	4.94	5.01	5.05	4.96	4.87	4.94				
Net margins 3/.....	.56	.63	.44	.44	.39	.38	.38	.39	.41	.43	.28	.48	.36	.35	.34	.37				
Firms reporting.....	43	51	75	83	80	80	80	80	80	80	80	80	80	80	80	80				

1/ Gross sales receipts less discounts, allowances, and returns.

2/ Includes State unemployment, Federal old age, workmen's compensation, and employee benefits.

3/ Net returns to owners before income taxes.

4/ Estimated on the basis of data for the first two quarters seasonally adjusted.





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